

BLANCHE KELSO BRUCE ACADEMY  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2008

BLANCHE KELSO BRUCE ACADEMY  
FINANCIAL STATEMENTS  
JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Academy-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	12
Notes to Financial Statements	13-17



**GREGORY  
TERRELL  
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Blanche Kelso Bruce Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Blanche Kelso Bruce Academy as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

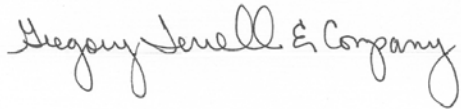
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Blanche Kelso Bruce Academy as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated February 2, 2009 on our consideration of the Blanche Kelso Bruce Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light background.

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

February 2, 2009

BLANCHE KELSO BRUCE ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

This section of the Blanche Kelso Bruce Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

**Academy-Wide Financial Statements**

The first two statements are academy-wide financial statements that provide short-term and long-term financial information about the Academy's overall financial status. These statements are required by accounting principles generally accepted in the United States of America (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the Academy's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with the requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities, if present, are reported in various other funds. These may include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**BLANCHE KELSO BRUCE ACADEMY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2008**

**The Academy As A Whole**

Recall that the Statement of Net Assets (deficit) provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2008 and 2007:

TABLE 1	Government Activities June 30	
	2008	2007
Assets		
Cash and Cash Equivalents	969,103	667,344
Other Receivables		
Due from Other Governmental Units	3,844,910	3,176,907
Prepaid Expense	24,000	48,000
Capital Assets, net of accumulated depreciation	187,749	226,972
Total assets	5,025,762	4,119,223
Liabilities		
Accounts Payable	900	5,300
Notes Payable	-	391,740
Management Company Payable	3,299,886	2,533,731
Accrued Expenses	16,687	19,693
Due to Other Government Units	1,458,242	933,100
Total liabilities	4,775,715	3,883,564
Net Assets (Deficit)		
Invested in capital assets – Net of related debt	187,749	226,972
Restricted	-	-
Unrestricted	62,298	8,687
Total Net assets (deficit)	250,047	235,659

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net assets were \$250,047 at June 30, 2008. Capital assets, net of related debt totaling \$187,749, compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. The academy does not carry any long-term debt. The Academy has no restricted net assets.

The \$62,298 in unrestricted net results of operations from governmental activities mentioned above represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

**BLANCHE KELSO BRUCE ACADEMY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2008**

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (see Table 2) which shows the changes in net assets for fiscal year 2008 compared with fiscal year 2007.

TABLE 2	Government Activities	
	June 30	
	2008	2007
Revenue		
Program Revenue - Operating grants	572,613	635,972
General Revenue		
State school aid - unrestricted	4,923,706	5,824,572
Other	2,586,881	2,494,372
Total Revenue	7,510,587	8,318,944
Functions/Program Expenditures		
Instruction	4,943,686	5,488,373
Support Services	3,029,907	3,422,500
Food Services	31,273	20,011
Transportation	1,266	-
Interest on long-term debt	-	-
Depreciation (unallocated)	62,680	111,949
Total functions/program expenses	8,068,812	9,042,833
Increase (Decrease) in Net Assets	14,388	(87,917)

As reported in the Statement of Activities the cost of all of our governmental activities this year was \$8,068,812. Certain activities were partially funded from other governments and organizations that subsidized certain programs with grants and contributions of \$572,613. We paid for the remaining "public benefit" portion of our governmental activities with \$4,923,706 in state foundation allowance, and with our other revenue, (i.e., interest and other local sources) of \$2,586,881.

The Academy experienced an increase in net assets of \$14,388. The key reason for the change in net assets was the management of expenditures producing an excess of revenues over expenditures resulting primarily from stabilizing costs associated with serving additional smaller school buildings that opened the prior year.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

**BLANCHE KELSO BRUCE ACADEMY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2008**

**The Academy's Funds**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$62,298 which is a increase of \$53,611 from last year. The primary reasons for the increase relates to the excess of revenues over expenditures in the General Fund in the amount of \$53,611.

**General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2008. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided as required supplemental information of these financial statements.

There were significant revisions made to the 2007-2008 original General Fund budget. Budgeted revenues were decreased principally due to a decrease in State Aid and related revenue resulting from lower actual student enrollment than original estimates. The reduced enrollment was in turn due to the Academy being called upon to serve students in a different set of institutional settings. In accordance with our process of building level operational budgets the expenses appropriately tracked revenues as the mix of buildings changed without causing disruption.

**Economic Factors and Next Year's Budgets and Rates**

Our officials and administration consider many factors when setting the Academy's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts respectively. The 2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 66 percent of total General Fund revenue is from the foundation allowance and the other 34 percent is from other governmental sources also driven by enrollment. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. The actual student count is not expected to vary significantly from the estimate and the per pupil allocation was conservatively estimated. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference the State estimates funds are sufficient to fund the appropriation. The Legislature will hold another revenue-estimating conference in early calendar 2009. No change in the State's ability to fund the appropriation is expected.



**BLANCHE KELSO BRUCE ACADEMY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 969,103
Due from Other Governmental Units	3,844,910
Prepaid Expense	<u>24,000</u>
<b>Total Current Assets</b>	<b>\$ 4,838,013</b>
<b>Noncurrent Assets:</b>	
Capital Assets	\$ 566,961
Less Accumulated Depreciation	<u>(379,212)</u>
<b>Total Noncurrent Assets</b>	<b>\$ 187,749</b>
<b>Total Assets</b>	<b><u>\$ 5,025,762</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 900
Accrued Expenditures	16,687
Management Company Payable	3,299,886
Due to Other Governmental Units	<u>1,458,242</u>
<b>Total Current Liabilities</b>	<b><u>\$ 4,775,715</u></b>
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	\$ 187,749
Unrestricted	<u>62,298</u>
<b>Total Net Assets</b>	<b>\$ 250,047</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 5,025,762</u></b>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUSE ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	Net (Expenses) Revenue and Changes in Net Assets
Governmental Activities:				
Instruction	\$ 4,943,686	\$ -	\$ 541,340	\$ (4,402,346)
Support Services	3,029,907	-	-	(3,029,907)
Food Services	31,273	-	31,273	-
Transportation	1,266	-	-	(1,266)
Unallocated Depreciation	62,680	-	-	(62,680)
Total Governmental Activities:	<u>\$ 8,068,812</u>	<u>\$ -</u>	<u>\$ 572,613</u>	<u>\$ (7,496,199)</u>
General Revenues:				
State of Michigan school aid unrestricted				\$ 4,923,706
Local sources				<u>2,586,881</u>
Total General Revenues				<u>\$ 7,510,587</u>
Change in Net Assets				\$ 14,388
<b>Net Assets</b> , Beginning of Year				<u>235,659</u>
<b>Net Assets</b> , Ending of Year				<u><u>\$ 250,047</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and Cash Equivalents	\$ 969,103	\$ -	\$ 969,103
Due from Other Governmental Units	3,834,478	10,432	3,844,910
Prepaid Expense	24,000	-	24,000
<b>Total Assets</b>	<u>\$ 4,827,581</u>	<u>\$ 10,432</u>	<u>\$ 4,838,013</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 900	\$ -	\$ 900
Accrued Expenditures	16,687	-	16,687
Management Company Payable	3,289,454	10,432	3,299,886
Due to Other Governmental Units	1,458,242	-	1,458,242
<b>Total Liabilities</b>	<u>\$ 4,765,283</u>	<u>\$ 10,432</u>	<u>\$ 4,775,715</u>
<b>Fund Balances</b>			
Reserved for:			
Unreserved, reported in:			
Prepaid Expense	\$ 24,000	\$ -	\$ 24,000
Unrestricted	38,298	-	38,298
<b>Total Fund Balances</b>	<u>62,298</u>	<u>-</u>	<u>62,298</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,827,581</u>	<u>\$ 10,432</u>	<u>\$ 4,838,013</u>
<b>Total Governmental Fund Balances</b>			\$ 62,298
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
The cost of the capital assets is		\$ 566,961	
Accumulated depreciation is		<u>(379,212)</u>	187,749
<b>Net assets of governmental activities</b>			<u>\$ 250,047</u>

The accompanying notes are an integral part of this financial statement.

**BLANCHE KELSO BRUCE ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Local Sources	\$ 2,622,428	\$ -	\$ 2,622,428
State Sources	4,922,792	-	4,922,792
Federal Sources	506,707	31,273	537,980
Total Revenues	<u>\$ 8,051,927</u>	<u>\$ 31,273</u>	<u>\$ 8,083,200</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Basic Programs	\$ 4,609,199	\$ -	\$ 4,609,199
Added Needs	334,487	-	334,487
Total Instruction	<u>\$ 4,943,686</u>	<u>\$ -</u>	<u>\$ 4,943,686</u>
Support Services:			
Pupil	\$ 1,334,113	\$ -	\$ 1,334,113
Instructional	29,046	-	29,046
General Administration	181,844	-	181,844
School Administration	939,124	-	939,124
Business	10,800	-	10,800
Operations and Maintenance	522,167	-	522,167
Central Support	12,813	-	12,813
Total Support Services	<u>\$ 3,029,907</u>	<u>\$ -</u>	<u>\$ 3,029,907</u>
Capital Outlay	<u>\$ 23,457</u>	<u>\$ -</u>	<u>\$ 23,457</u>
Transportation	<u>\$ 1,266</u>	<u>\$ -</u>	<u>\$ 1,266</u>
Food Service	<u>\$ -</u>	<u>\$ 31,273</u>	<u>\$ 31,273</u>
Total Expenditures	<u>\$ 7,998,316</u>	<u>\$ 31,273</u>	<u>\$ 8,029,589</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 53,611</u>	<u>\$ -</u>	<u>\$ 53,611</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 53,611</u>	<u>\$ -</u>	<u>\$ 53,611</u>
Beginning of Year	<u>8,687</u>	<u>-</u>	<u>8,687</u>
End of Year	<u><u>\$ 62,298</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,298</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances total governmental funds</b>	\$ 53,611
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	23,457
Depreciation expense	<u>(62,680)</u>

<b>Change in net assets of governmental activities</b>	<u>\$ 14,388</u>
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The accompanying notes are an integral part of this financial statement.

BLANCH KELSO BRUCE ACADEMY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Final Budget</u></b>
				<b><u>Positive /</u></b>
				<b><u>(Negative)</u></b>
<b>REVENUES:</b>				
Local Sources	\$ 4,174,091	\$ 2,493,502	\$ 2,622,428	\$ 128,926
State Sources	9,866,016	4,925,491	4,922,792	(2,699)
Federal Sources	<u>674,756</u>	<u>526,707</u>	<u>506,707</u>	<u>(20,000)</u>
Total Revenues	<u>\$ 14,714,863</u>	<u>\$ 7,945,700</u>	<u>\$ 8,051,927</u>	<u>\$ 106,227</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic Programs	\$ 7,485,927	\$ 4,033,455	\$ 4,609,199	\$ (575,744)
Added Needs	<u>639,237</u>	<u>597,734</u>	<u>334,487</u>	<u>263,247</u>
Total Instruction	<u>\$ 8,125,164</u>	<u>\$ 4,631,189</u>	<u>\$ 4,943,686</u>	<u>\$ (312,497)</u>
Support Services:				
Pupil	\$ 2,378,338	\$ 1,367,900	\$ 1,334,113	\$ 33,787
Instructional Support	-	24,133	29,046	(4,913)
General Administration	308,921	241,038	181,844	59,194
School Administration	1,573,850	966,337	939,124	27,213
Business	80,282	1,269	10,800	(9,531)
Operations and Maintenance	1,940,470	649,787	522,167	127,620
Central Support	<u>-</u>	<u>-</u>	<u>12,813</u>	<u>(12,813)</u>
Total Support Services	<u>\$ 6,281,861</u>	<u>\$ 3,250,464</u>	<u>\$ 3,029,907</u>	<u>\$ 220,557</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,457</u>	<u>\$ (23,457)</u>
Transportation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,266</u>	<u>\$ (1,266)</u>
Total Expenditures	<u>\$ 14,407,025</u>	<u>\$ 7,881,653</u>	<u>\$ 7,998,316</u>	<u>\$ (116,663)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 307,838</b>	<b>\$ 64,047</b>	<b>\$ 53,611</b>	<b>\$ (10,436)</b>
Beginning of Year	<u>8,687</u>	<u>8,687</u>	<u>8,687</u>	<u>-</u>
End of Year	<u><u>\$ 316,525</u></u>	<u><u>\$ 72,734</u></u>	<u><u>\$ 62,298</u></u>	<u><u>\$ (10,436)</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **ORGANIZATION**

Blanche Kelso Bruce Academy ("Academy") is a Public School Academy the State of Michigan has delegated to Wayne County RESA the responsibility of authorizing the establishment of public school academies. The Academy was formed as a Public School Academy pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BLANCHE KELSO BRUCE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (cont'd)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the General Fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Blanche Kelso Bruce Academy (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset of materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and equipment	5-20 years
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BLANCHE KELSO BRUCE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

The Academy's capitalization policy is individual amounts exceeding \$500 and an estimated useful life in excess of three years.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund and School Service Fund budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year end June 30, 2008, expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Basic Programs	\$ 4,033,455	\$ 4,609,199	\$ (575,744)
Instructional Support	24,133	29,046	(4,913)
Business Support	1,269	10,800	( 9,531)
Central Support	-	12,813	(12,813)
Transportation	-	1,266	(1,266)
Capital Outlay	-	23,457	( 23,457)

(4) **DEPOSITS AND INVESTMENTS**

State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

BLANCHE KELSO BRUCE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(4) **DEPOSITS AND INVESTMENTS (cont'd)**

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The Academy's bank balances were \$990,002 at June 30, 2008 and \$200,000 was covered by FDIC insurance.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's policy does not address custodial credit risk. The Academy does not have investments with custodial credit risk.

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Furniture and equipment	\$ 560,529	\$ 23,457	\$ 17,025	\$ 566,961
Less Accumulated Depreciation	<u>333,557</u>	<u>62,680</u>	<u>17,025</u>	<u>379,212</u>
Net capital assets	<u>\$ 226,972</u>	<u>\$ 39,223</u>	<u>\$ -</u>	<u>\$ 187,749</u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$62,680. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

BLANCHE KELSO BRUCE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(6) **MANAGEMENT COMPANY PAYABLE**

The Academy contracted with Evans Solutions, Inc. to provide all staffing personnel during the audit year. Consequently, all staffing costs are treated as purchased services in these financial statements. At the year end, \$3,299,886 was outstanding to the management company for services provided.

(7) **RELATED PARTIES**

The Academy contracted with an accounting firm that employs a member of the Academy's Board of Directors. The firm was paid \$10,800 for the year ended June 30, 2008.

(8) **OPERATING LEASE COMMITMENT**

The Academy is party to an operating lease with the Samaritan Center. The lease requires various monthly payments and totaled \$281,780 for June 30, 2008. Some of these current period costs were absorbed by the management company. The lease term is for three (3) years starting July 1, 2007 and expires June 30, 2010.

The minimum future lease payments are presented below:

2009	\$ 242,681
2010	<u>249,968</u>
	<u>\$ 492,649</u>

BLANCHE KELSO BRUCE ACADEMY

SINGLE AUDIT REPORT

JUNE 30, 2008

BLANCHE KELSO BRUCE ACADEMY  
SINGLE AUDIT REPORT  
JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133	1-2
Independent Auditors' Report on Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement performed in accordance with Government Auditing Standards	3-4
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Supplemental Schedules – Schedule of Findings and Questioned Costs	7-8
Status of Prior Year Audit Findings	9



**GREGORY  
TERRELL  
& COMPANY**

REPORT ON COMPLIANCE WITH REQUIRMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

To the Board of Directors of  
Blanche Kelso Bruce Academy

**Compliance**

We have audited the compliance of the Blanche Kelso Bruce Academy (the "Academy") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *"Government Auditing Standards"* issued by the Comptroller General of the United States; and OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations"*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness on the Academy's internal control over compliance.

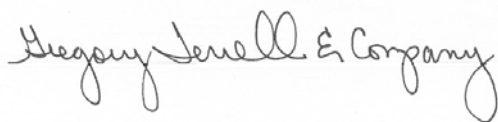
A control deficiency in an Academy's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Academy's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Academy as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

February 2, 2009



**GREGORY  
TERRELL  
& COMPANY**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Blanche Kelso Bruce Academy

We have audited the financial statements of Blanche Kelso Bruce Academy (the "Academy") as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of Blanche Bruce Academy (the "Academy") for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

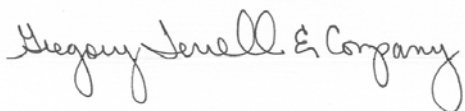


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under "Government Auditing Standards" and is described in the accompanying schedule of findings and questioned costs as item 08-01.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, Management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

February 2, 2009

**BLANCHE KELSO BRUCE ACADEMY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Accrued or (Deferred) Revenue at July 1, 2007</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Adjustments / Transfers</b>	<b>Current Year Expenditures</b>	<b>Accrued or (Deferred) Revenue at June 30, 2008</b>
<b>DEPARTMENT OF AGRICULTURE</b>							
Passed through the Michigan Dept of Education							
National School Lunch Program	10.555						
Project Number 071950		\$ 1,431	\$ -	\$ -	\$ -	\$ -	\$ -
Project Number 071960		11,533	7,047	7,047	-	-	-
Project Number 081950		1,948	-	1,948	-	1,948	-
Project Number 081960		27,884	-	18,893	-	29,325	10,432
Total Food and Nutrition Cluster		\$ 42,796	\$ 7,047	\$ 27,888	\$ -	\$ 31,273	\$ 10,432
<b>DEPARTMENT OF EDUCATION</b>							
Passed through the Michigan Department of Education							
Office of Elementary and Secondary Education Program.							
Title I, Part A - Improving Basic Programs	84.010						
Project# 0607071530		\$ 222,817	\$ 36,020	\$ 222,817	\$ -	\$ 186,797	\$ -
Total		222,817	36,020	222,817	-	186,797	-
Title I, Part D - N or D	84.010						
Project# 0607051700		207,829	170,267	207,829	-	37,562	-
Total		207,829	170,267	207,829	-	37,562	-
Wayne County RESA IDEA Flowthrough-Special Education Grants	84.027A						
Transition Services Mini Grant		333,103	333,102	333,102	-	-	-
Project # 05060050450		282,348	-	256,301	-	282,348	26,047
Total		615,451	333,102	589,403	-	282,348	26,047
Total Office of Elementary and Secondary Education Cluster		1,046,097	539,389	1,020,049	-	506,707	26,047
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 1,088,893</b>	<b>\$ 546,436</b>	<b>\$ 1,047,937</b>	<b>\$ -</b>	<b>\$ 537,980</b>	<b>\$ 36,479</b>

The accompanying notes are an integral part of this schedule.

BLANCHE KELSO BRUCE ACADEMY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2008

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs of the Blanche Kelso Bruce Academy (the "Academy"), and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included on the schedule. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

(3) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*".

BLANCH KELSO BRUCE ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes   X   no

Significant deficiency identified

not considered to be material weakness?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

Expenditures of Federal Awards

Internal Control over major programs:

Material weakness identified?        yes   X   no

Significant deficiency identified

not considered to be material weakness?        yes   X   none reported

Type of auditors' report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to  
reported in accordance with Circular A-133,  
Section .510(a)?

       yes   X   no

Identification of major programs:

CFDA Number

Name of Federal Program

84.027 A

IDEA

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   yes        no

BLANCHE KELSO BRUCE ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008

## Section II – Financial Statement Audit Findings

<u>Reference Number</u>	<u>Finding Type</u>
-----------------------------	---------------------

08-1	<u>Compliance</u>
------	-------------------

**Criteria** – Under Michigan State law, the deadline for submission of the annual audited financial statements is November 15.

**Condition** – The audit for the Academy was not completed timely.

**Cause** – The Academy was not ready to begin the audit until December 22, 2008. As a result, there was not sufficient time to complete the audit by November 15, 2008.

**Recommendation** – We recommend the Academy have their books closed by August 31<sup>st</sup> of each year to ensure the audit firm has sufficient time to complete their audit in accordance with the State mandated deadline.

**Management's Response** – The Management Company has designated and allocated a coordinator to produce and distribute documentation on the following schedule, independent of moves or other logistical impediments:

- YTD board review and pre-audit review by May 15<sup>th</sup>
- End of year financial statement review with Board by July 16<sup>th</sup>
- Pre-audit assessments and questionnaires completed by July 16<sup>th</sup>
- Full documentation, incorporating 60 day events, by September 4<sup>th</sup>

The above responsibilities are primary for the coordinator and are not secondary to any other tasks.

## Section III – Federal Program Audit Findings

None

BLANCHE KELSO BRUCE ACADEMY  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2008

**PRIOR YEAR FINDINGS**

**Financial Statement Audit Findings**

<u>Reference Number</u>	<u>Findings</u>
2007-1	<u>Reportable condition</u>  The audit for the Academy was not completed timely. <u>Status</u>  Unresolved.

**Federal Program Audit Findings**

**None**



**GREGORY  
TERRELL  
& COMPANY**

February 19, 2009

To the Board of Directors  
Blanche Kelso Bruce Academy

We have audited the financial statements of Blanche Kelso Bruce Academy for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Blanche Kelso Bruce Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2008.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blanche Kelso Bruce Academy are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Blanche Kelso Bruce Academy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Blanche Kelso Bruce Academy's financial reporting process (that is, cause future financial statements to be materially misstated).

In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Blanche Kelso Bruce Academy, either individually or in the aggregate, indicate matters that could have a significant effect on the Blanche Kelso Bruce Academy's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

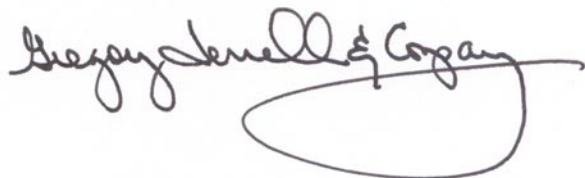
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Blanche Kelso Bruce Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of Board of Directors and management of Blanche Kelso Bruce Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company", with a large, stylized loop at the end.

**GREGORY TERRELL & COMPANY**

Certified Public Accountants

February 19, 2009